

MONTGOMERY COUNTY

Council May Boost Energy, Land Taxes

Added Revenue Sought To Balance '09 Budget

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Montgomery County residents would pay more to heat their homes and keep the lights on, under two council proposals introduced yesterday that would raise local energy taxes to help balance the budget and encourage conservation.

Separately, the council signaled that it probably would increase property taxes this spring, although not to the level recommended by County Executive Brian Leggett (D) in his spending plan for fiscal 2009.

The energy tax measures, which would each raise \$11 million, are aimed to give the council flexibility to scale back Leggett's call for the largest property tax increase in two decades to close a \$287 million deficit.

The initiative by council member Nancy Florman (D-At Large) would encourage residents to use environmentally friendly power by imposing the highest rate increases on the "dirtiest" energy sources that generate carbon dioxide and other greenhouse gases.

Under her plan, an average homeowner would pay less than \$10 more a year. Tax rates on electricity and fuel oil would increase 10 percent, while rates for natural and liquefied petroleum gas would rise by 5 percent.

"With all of us tightening our belts, there are some who would say this isn't the time to ask our residents to pay more. I have to agree," she said at the council's meeting yesterday. Florman said, however, that she was looking for ways to lower Leggett's proposed property tax rate increase of 7.5 cents. "So that, essentially, we can keep ourselves on track with environmental preservation without doing harm to residents' pocketbooks."

Council President Michael Knapp (D-Uppercountry) also introduced an energy tax measure, which he called a placeholder. It would raise \$12 million by increasing rates across the board by about 9 percent.

In the past five years, county leaders have repeatedly turned to the energy tax to cope with budget shortfalls. In 2003, the council tripled the tax, causing the average residential household an extra \$40 a year. In 2004, the council signed off on a 52 percent rate increase, costing homeowners about \$97.

Total energy taxes depend greatly on consumption and the type of fuel used. Residents on average paid \$58 a year in total energy taxes in fiscal 2007. Pepco's residential customers in Montgomery on average paid \$95 in annual taxes on electricity alone, while large commercial customers paid \$2,600.

Leggett resisted proposing a rate increase because "energy costs are already sky-high," he said in his budget rollout speech. His \$4.3 billion spending plan would raise the property tax rate an average of 5 percent and provide a \$1,014 credit for a homeowner's primary residence.

Joe Bacci, Leggett's budget director, said yesterday that the administration would reserve judgment on the council's specific proposals until it has studied the fine print.

Council member Valerie Ervin (D-Silver Spring) expressed reservations about the impact on the county's seniors, who would pay for the increases through higher energy bills or rents.

"Those are the folks who are really going to take it on the chin," she said.

Council members George E. Leventhal (D-At Large) and Roger Herriman (D-Bethesda-Bethesda), who have worked on other initiatives to encourage the use of clean power, said they would be inclined to back a rate increase if part of the new revenues funded energy conservation programs.

Having a carbon tax is a direction we need to go as a society, but it leaves some thinking whether it can be done in one county," Leventhal said. "If we are going to have a price for power that is substantially higher than Florida and Prince George's, we may go to a tipping point where businesses don't want to locate here because the price of energy is so high."

In a separate debate over property taxes yesterday, council members left in place spending guidelines that hold taxes to the county's charter limit. Council members Phil Andrews (D-Rockville-Gaithersburg) and Darby Brundisberg (D-At Large) said it was fiscally prudent to aim for the limit, which generally holds property tax increases to the rate of inflation.

Most of their colleagues suggested, however, that the council would need to find when it makes final decisions about the budget in May. Sticking to the limit would require the council to come up with at least \$111 million more in revenue or cuts.

"I see no way that we could make up this money through anything other than magic," council member Marc Elnick (D-At Large) said, calling a property tax increase all but inevitable. "It's unrealistic to say we're not going to go there; it's a question of how much we're going to go there."